

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1703 Amendment Number: H1 (3/18/15 Engrossment)
Bill Subtitle: TO AMEND THE ALTERNATIVE FUELS TAX LAW; TO AMEND THE EXCISE TAX LEVIED ON ALTERNATIVE FUELS; TO CREATE A FAIR AND EQUITABLE METHOD OF MAINTAINING THE ROADS IN THE STATE; AND TO DECLARE AN EMERGENCY.

Basic Change : Sponsor: Representative D. Douglas

Engrossment 03/18/15 --- House Amendment 1 --- Amends the bill to provide that a gallon equivalent for compressed natural gas fuels (CNG) shall be 126.67 c.f. and the gallon equivalent for liquefied natural gas fuels (LNG) shall be 6.06 lbs.

Original Bill ---The bill amends the Arkansas Alternative Fuels Tax code provisions to provide definitive dates for the progression of the tax rates on alternative fuels, provide new definitions for natural gas based fuels and gallon equivalents and removes the Department of Finance and Administration from the responsibility of determining if thresholds have been met for tax rate changes.

This bill maintains the current tax rate of five cents (\$.05) per gallon on compressed natural gas (CNG) and liquefied natural gas (LNG) fuels for FY2016 with annual increases until the tax rates are equal to the existing tax rates on gasoline and diesel. The tax rates established would be as follows:

Table with 2 columns: Date and Tax Rate. Rows include July 1, 2015 (5¢), July 1, 2016 (8¢), July 1, 2017 (11¢), July 1, 2018 (17¢), and July 1, 2019 (21½¢ on CNG, 22½¢ on LNG, 21½¢ on Other Alternative Fuels).

Under the proposed schedule and beginning on July 1, 2019, compressed natural gas fuels (CNG) and other alternative fuels would be taxed the same as gasoline and liquefied natural gas fuel (LNG) would be taxed the same as diesel.

The bill also amends the definition of "gallon equivalent" for purposes of the alternative fuels tax law. Currently, one hundred cubic feet (100 c.f.) of natural gas fuel is equal to one U.S. gallon of gasoline. The bill amends the definition to provide that one hundred twenty-five cubic feet (125 c.f.) of natural gas fuel is equal to one U.S. gallon of gasoline.

Revenue Impact :

Compressed Natural Gas (CNG):

Table with 3 columns: Fiscal Year, Tax Change, and Tax Rate. Rows show FY2016 (Tax Reduction of \$5,000), FY2017 (Tax Increase of \$24,000), FY2018 (Tax Increase of \$24,000), FY2019 (Tax Increase of \$48,000), and FY2020 (Tax Increase of \$36,000).

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1703

Amendment Number: H1 (3/18/15 Engrossment)

Bill Subtitle: TO AMEND THE ALTERNATIVE FUELS TAX LAW; TO AMEND THE EXCISE TAX LEVIED ON ALTERNATIVE FUELS; TO CREATE A FAIR AND EQUITABLE METHOD OF MAINTAINING THE ROADS IN THE STATE; AND TO DECLARE AN EMERGENCY.

Based on current consumption levels of compressed natural Gas (CNG) of approximately 900,000 gallon equivalents per year at one gallon = 100 c.f. Under the proposal of one gallon = 126.67 c.f., current consumption level would equal 800,000 gallon equivalents. ***This tax reduction is due to the CNG measurement equivalent per gallon change from 100 c.f. to 126.67 c.f.

Liquefied natural gas (LNG):

FY2016	Tax Revenue of \$1,250	(5¢ per gallon tax rate)
FY2017	Tax Increase of \$ 750	(8¢ per gallon tax rate)
FY2018	Tax Increase of \$ 750	(11¢ per gallon tax rate)
FY2019	Tax Increase of \$ 1,500	(17¢ per gallon tax rate)
FY2020	Tax Increase of \$ 1,125	(21.5¢ per gallon tax rate)

Based on current consumption levels of liquefied natural gas (LNG) of approximately 25,000 gallon equivalents per year.

Taxpayer Impact :

Licensed suppliers will be responsible for collecting the tax on CNG and LNG and updating the tax rate beginning in July 1, 2016 and for each following year until July 1, 2019. They will also need to change the measurement equivalent per gallon beginning July 1, 2015, from one hundred cubic feet to one hundred twenty-five cubic feet for CNG.

Resources Required :

None

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Changes will be made to the compressed natural gas and liquefied natural gas formats in the Arkansas Integrated Revenue System (AIRS) software used by the Motor Fuel Tax Section to process the returns. These changes will occur each year to reflect the updated tax rate. Education of taxpayers, Motor Fuel Tax staff, and Highway Department Auditors regarding the tax rate adjustments.

Legal Analysis :

Amendment 1 to HB 1703 modifies the definition of gallon equivalent, changing the equivalent of one U.S. gallon of gasoline from 125 cubic feet to 126.67 cubic feet. The definition of one gallon of distillate special fuel changes from one gallon of liquefied natural gas to 6.06 lbs. of natural gas.